

LEEDS AREA SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASHINGTON COUNTY, UTAH
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

**LEEDS AREA SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASHINGTON COUNTY, UTAH**

Table of Contents

	<u>Page</u>
FINANCIAL SECTION	
Report of Independent Accountants	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Activities	11
Notes to the Basic Financial Statements	12
Required Supplemental Information Section	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	24
Supplementary Information	
Impact Fee Schedule	26

FINANCIAL SECTION



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

Report of Independent Certified Public Accountants

To the Administrative Board of Directors
Leeds Area Special Service District
Leeds, UT 84746

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have reviewed the accompanying financial statements of the governmental activities and each major fund of Leeds Area Special Service District, a component unit of Washington County as of and for the year ended December 31, 2006, which collectively comprise the District's financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Leeds Area Special Service District.

A review consists principally of inquiries of Entity personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis and supplementary information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information or management's discussion and analysis.

Hinton Burdick Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPLIKER, PLLC
February 26, 2007

THIS PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Leeds Area Special Service District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2006. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net assets) by \$280,496 at the close of the fiscal year.
- Total net assets decreased by \$80,875.
- Total long-term debt decreased by \$14,331.
- The District received federal and state grant funds of \$37,530.
- Total revenues from all sources were \$211,195 and the total cost of all District programs was \$292,070.
- Total revenue received in the General Fund was \$4,994 more than the final budget and expenditures were \$4,794 less than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$92,162 or 49.9% of total General Fund expenditures.
- The District began assessing impact fees during 2005. As of December 31, 2006 the District had collected \$15,169 in impact fees.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the District's property tax base or jurisdiction, the availability of capital projects, and condition of the District's assets to accurately assess the overall health of the District.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the District's basic services are considered to be governmental activities, including public safety and interest on long-term debt. Property taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District's major fund uses the accounting approaches as explained below.

- Governmental funds – All of the District's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities by \$280,496 as of December 31, 2006 as shown on the following condensed statement of net assets.

Statement of Net Assets

	12/31/2005	12/31/2006
Current and other assets	\$ 173,183	\$ 194,923
Capital assets	479,090	361,540
Total assets	652,273	556,463
Long-term obligations	268,121	253,098
Other liabilities	22,781	22,869
Total liabilities	290,902	275,967
Net assets:		
Invested in capital assets, net of related debt	196,064	85,573
Restricted	7,944	17,839
Unrestricted	157,363	177,084
Total net assets	\$ 361,371	\$ 280,496

Governmental Activities

The cost of all Governmental activities this year was \$292,070. \$46,586 of this cost was paid for by those who directly benefited from the programs, \$45,891 was subsidized by grants received from other governmental organizations for operating and capital activities as well as capital grants resulting from impact fees. Overall governmental program revenues, including intergovernmental aid and fees for services were \$92,477. General taxes, investment earnings and other revenues totaled \$118,718.

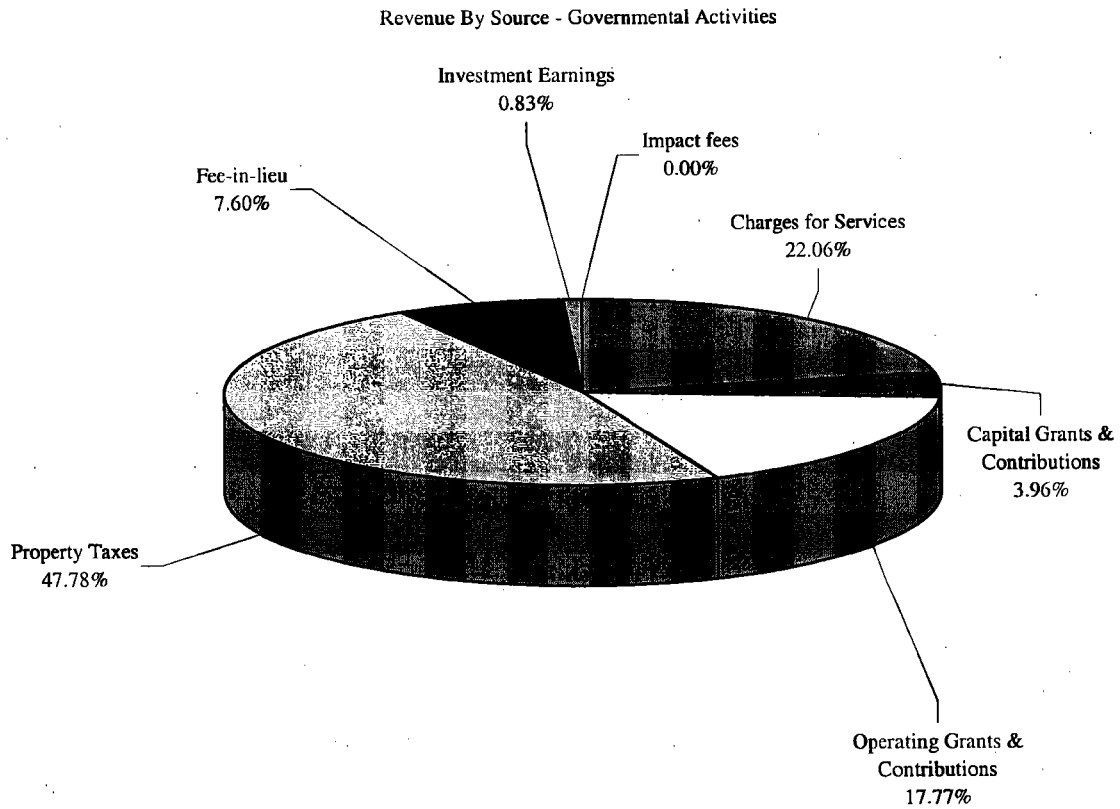
The District's programs include: Public Safety. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the District's general taxes support each of the District's programs.

Changes in Net Assets

	<u>12/31/2005</u>	<u>12/31/2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 50,004	\$ 46,586
Operating grants and contributions	23,810	37,530
Capital grants and contributions	33,764	8,361
General revenues:		
Property taxes	90,546	100,913
Fee-in-lieu	10,135	16,043
Unrestricted investment earnings	1,128	1,762
Gain on the sale of assets	-	-
Total revenues	<u>209,387</u>	<u>211,195</u>
Expenses:		
Public safety	255,586	278,200
Interest on long-term debt	13,941	13,870
Total expenses	<u>269,527</u>	<u>292,070</u>
Increase in net assets	(60,140)	(80,875)
Net assets, beginning	<u>421,511</u>	<u>361,371</u>
Net assets, ending	<u>\$ 361,371</u>	<u>\$ 280,496</u>

Total resources available during the year to finance governmental operations were \$572,566 consisting of Net assets at January 1, 2006 of \$361,371, program revenues of \$92,477 and General Revenues of \$118,718. The total cost of Governmental Activities during the year was \$292,070; thus Governmental Net Assets were decreased by \$80,875 to \$280,496.

The following graph provides a breakdown of revenues by source for all government activities.



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$4,794 more than actual expenditures. Actual revenues were greater than the final budget by \$4,994. Budget amendments and supplemental appropriations were made during the year after the adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Capital Assets include land, buildings, equipment, and emergency vehicles. At the end of fiscal year 2006, net capital assets of the government activities totaled \$360,540. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the District had \$268,695 in governmental type debt which is secured by the buildings and equipment of the District. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for fiscal year 2007, the District Board and management estimated the budget for operating revenues and expenditures will be similar to 2006.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Trudy Law, Treasurer of the Leeds Area Special Service District at P.O. Box 460901, Leeds, UT 84746.

BASIC FINANCIAL STATEMENTS

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Statement of Net Assets
December 31, 2006

Assets

Cash and cash equivalents	\$ 134,539
Receivables (net of allowance)	42,545
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	17,839
Capital assets (net of accumulated depreciation)	
Land	15,950
Buildings and improvements	105,901
Machinery and equipment	80,840
Emergency Vehicles	158,849
Total assets	<u>556,463</u>

Liabilities

Interest payable	7,272
Noncurrent liabilities:	
Due within one year	15,597
Due in more than one year	253,098
Total liabilities	<u>275,967</u>

Net Assets

Invested in capital assets, net of related debt	85,573
Restricted for:	
Debt service	10,830
Capital projects	7,009
Unrestricted	177,084
Total Net Assets	<u>\$ 280,496</u>

See accompanying notes and accountants' report.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Statement of Activities
For the Year Ended December 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental activities:					
Public safety	\$ 278,200	\$ 46,586	\$ 37,530	\$ 8,361	\$ (185,723)
Interest on long-term debt	13,870	-	-	-	(13,870)
Total governmental activities	292,070	46,586	37,530	8,361	(199,593)
General Revenues:					
Taxes:					
Property taxes					100,913
Fee-in-lieu					16,043
Unrestricted investment earnings					1,762
Total general revenues & transfers					118,718
Change in net assets					(80,875)
Net assets - beginning					361,371
Net assets - ending					\$ 280,496

See accompanying notes and accountants' report.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Balance Sheet
Governmental Funds
December 31, 2006

	General Fund	Capital Project Fund	Total Governmental Funds
Assets:			
Cash and Investments	\$ 38,787	\$ 95,752	\$ 134,539
Accounts receivable	-	-	-
Due from other governments	42,545	-	42,545
Restricted cash	10,830	7,009	17,839
Total Assets	<u>\$ 92,162</u>	<u>\$ 102,761</u>	<u>\$ 194,923</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Debt service	10,830	-	10,830
Capital outlay	-	7,009	7,009
Unreserved:			
Designated for capital projects	-	95,752	95,752
Undesignated	81,332	-	81,332
Total fund balances	<u>92,162</u>	<u>102,761</u>	<u>194,923</u>
Total Liabilities and fund balance	<u>\$ 92,162</u>	<u>\$ 102,761</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	361,540
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.	(275,967)
Net assets of governmental units	<u>\$ 280,496</u>

See accompanying notes and accountants' report.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General Fund	Capital Project Fund	Total Governmental Funds
Revenues:			
Property Taxes/Standby fees	\$ 100,913	\$ -	\$ 100,913
Fee-in-lieu taxes	16,043	-	16,043
Ambulance Fees	45,577	-	45,577
Grants	37,530	-	37,530
Impact Fees	-	8,361	8,361
Contributions/fund raisers	684	-	684
Finance charges and other revenues	325	-	325
Interest revenue	1,762	-	1,762
Total Revenues	202,834	8,361	211,195
Expenditures:			
Current:			
Administration	85,281	-	85,281
Fire protection and emergency services	29,697	-	29,697
Ambulance	18,105	-	18,105
Debt service	28,201	-	28,201
Capital outlay	23,392	4,779	28,171
Total Expenditures	184,676	4,779	189,455
Excess of Revenues Over/(Under) Expenditures	18,158	3,582	21,740
Other Financing Sources (Uses):			
Transfers in	-	8,370	8,370
Transfers out	(8,370)	-	(8,370)
Net change in fund balances	9,788	11,952	21,740
Fund Balance - Beginning of Year	82,374	90,809	173,183
Fund Balance - End of Year	\$ 92,162	\$ 102,761	\$ 194,923

See accompanying notes and accountants' report.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 21,740
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(117,550)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	14,331
Accrued Interest for Long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities	604
Change in net assets of governmental activities	<u>\$ (80,875)</u>

See accompanying notes and accountants' report.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 1. Significant Accounting Policies

General

The accounting and reporting policies of the Leeds Area Special Service District (The District) conform with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The District, a component unit of Washington County was established January 26, 1998 by the Washington County Commission. The District provides fire protection and ambulatory services for the community of Leeds and the surrounding area. The Accompanying financial statements include all activities of the District. There are no other agencies or component units that should be associated with these financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information about the District, the primary government, as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 1. Significant Accounting Policies, Continued

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long term debt of the District are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available. "Measurable" means that the amounts can be reasonably determined within the current period. "Available" means that the amounts are collectible within the current period, or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, except for interest on long-term debt, which is recognized when due.

The **General Fund** is used to account for all financial resources applicable to the general operations of the District.

The **Capital Project Fund** is used to account for all financial resources applicable to the capital projects of the District.

Budgets and Budgetary Accounting

Annual budgets are prepared and adopted by resolution by the Board on or before December 15th for the following calendar year in accordance with State law. Prior to adoption of the budget a public hearing is conducted to obtain taxpayer input. The budget includes proposed expenditures and the proposed sources of financing for such expenditures and is adopted on a basis consistent with generally accepted accounting principals using the modified accrual basis of accounting. Budgets are adopted and control of budget appropriations are exercised under State law, at the department level. Budget amendments are required to increase expenditure budgets. During the current fiscal year there were amendments to the budget. The District followed the procedures for amending the budgets as prescribed by State law.

Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 1. Significant Accounting Policies, Continued

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Capital Asset Account Group. Infrastructure such as streets, traffic signals and signs are capitalized. The District has no infrastructure assets. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 30 years; equipment, 10 years.

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. When both restricted and unrestricted assets are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

Compensated Absences

The District currently has one full-time employee but has not accrued a liability for accumulated sick and vacation because such liability would be immaterial.

Inventory

The costs of governmental fund-type inventories are recorded as expenditures when purchased. Also, the District's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Risk Management

The District maintains insurance for general liability, auto liability, collision, property damage, comprehensive fire & theft, fidelity bonds, and workers compensation through the Utah Local Government Insurance Trust.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 1. Significant Accounting Policies, Continued

Property Taxes

Property taxes are collected by the Washington County Treasurer and remitted to the District in monthly installments. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. Over 75% of the District's taxes are remitted to the District in December and January.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds Payable	\$ (195,374)
Capital lease	(73,321)
Accrued Interest Payable	<u>(7,272)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ (275,967)</u></u>

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 11,570
Depreciation expense	<u>(129,120)</u>
Net adjustment to decrease net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (117,550)</u></u>

NOTE 3. Deposits and Investments

Deposits and Investments of the District at June 30, 2006 consist of the following:

Deposits:	
Cash in bank	<u>\$ 152,378</u>
Total deposits	<u><u>\$ 152,378</u></u>

A reconciliation of cash as shown on the Statement of Net Assets is as follows:

Cash and cash equivalents	\$ 134,539
Restricted cash and cash equivalents	<u>17,839</u>
Total cash and cash equivalents	<u><u>\$ 152,378</u></u>

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 3. Deposits and Investments, Continued

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, \$0 of the District's bank balance of \$151,801 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The District had no investments during the fiscal year December 31, 2006.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 4. Due From Other Governments

Amounts shown as Due from Other Governments are amounts "measurable and available" and due from the county for property taxes collected within 60 days after December 31, 2006.

NOTE 5. Capital Assets and Depreciation

Capital asset activity for the year ended December 31, 2006 is as follows:

Governmental Activities:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
Capital assets, not being depreciated:				
Land	\$ 15,950	\$ -	\$ -	\$ 15,950
Total capital assets, not being depreciated	15,950	-	-	15,950
Capital assets, being depreciated:				
Buildings and Improvements	124,535	4,780	-	129,315
Machinery and Equipment	261,285	-	-	261,285
Emergency Vehicles	535,499	6,789	-	542,288
Total capital assets, being depreciated	921,319	11,569	-	932,888
Less accumulated depreciation for:				
Buildings and Improvements	(20,150)	(3,264)	-	(23,414)
Machinery and Equipment	(155,496)	(24,949)	-	(180,445)
Emergency Vehicles	(282,532)	(100,907)	-	(383,439)
Total accumulated depreciation	(458,178)	(129,120)	-	(587,298)
Total capital assets, being depreciated, net	463,141	(117,551)	-	345,590
Governmental activities capital assets, net	\$ 479,091	\$ (117,551)	\$ -	\$ 361,540

The entire \$129,120 of depreciation was charged to the governmental activity, public safety.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 6. Long -Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2006.

	Balance 12/31/2005	Additions	Retirements	Balance 12/31/2006	Current Portion
Governmental Activities:					
Bonds payable:					
Revenue bonds	\$ 207,300	\$ -	\$ 11,926	\$ 195,374	\$ 13,083
Total bonds payable	207,300	-	11,926	195,374	13,083
Capital leases	75,726	-	2,405	73,321	2,514
Governmental activity					
Long-term liabilities	\$ 283,026	\$ -	\$ 14,331	\$ 268,695	\$ 15,597

Bonds Payable at December 31, 2006 are comprised of the following issues:

Revenue Bonds

Revenue Bond, Series 2001, due in annual principal and interest installments of \$3,316, bearing interest at 4.75% maturing August 1, 2016.

\$ 25,827

Public Safety Revenue Bond, due in annual principal and interest installments of \$9,392 bearing interest at 4.625% maturing March 25, 2017.

85,030

Public Safety Revenue Bond, due in annual principal and interest installments of \$9,312 bearing interest at 4.5% maturing October 23, 2018.

84,517

Total Bonds Payable

\$ 195,374

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 6. Long -Term Debt, Continued

Other long term debt at December 31, 2006 is comprised of the following:

Leases Payable:

Capital lease payable to the Town of Leeds for the purchase of the Leeds Fire Station, with annual principal and interest payments of \$6,181 through May 1, 2025.	<u>\$ 73,321</u>
Total Leases Payable	<u>73,321</u>
Total Long-Term Debt	268,695
Less Current Portion:	
Governmental-type Activities	(15,597)
Net Long-Term Debt	<u><u>\$ 253,098</u></u>

The annual requirements to amortize bonds payable at December 31, 2006 are as follows:

Year Ended December 31	Principal	Interest	Total
2007	13,083	8,937	22,020
2008	13,685	8,335	22,020
2009	14,314	7,706	22,020
2010	14,971	7,049	22,020
2011	15,658	6,362	22,020
2012-2016	89,598	20,315	109,913
2017-2018	34,065	7,395	41,460
	<u><u>\$ 195,374</u></u>	<u><u>\$ 66,099</u></u>	<u><u>\$ 261,473</u></u>

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 8. Defined Benefit Pension Plan, Continued

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Firefighters Retirement System, the District is required to contribute 10.84% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The required contributions and amounts received for the 2006 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Firefighters Retirement System:				
2006	N/A	\$ 4,270.65	N/A	\$ 43,820.08
2005	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A

The contributions were equal to the required contributions for each year.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Notes to the Financial Statements
December 31, 2006

NOTE 7. Capital Lease

The District has entered into a lease agreement that is considered a capital lease in accordance with Financial Accounting Standard Board statement number 13. Buildings and improvements under capitalized leases amount to \$89,896 at year end.

The following is an annual schedule of future minimum lease payments at 5 percent under the capital lease, with the present value of the net minimum lease payments for the years ending December 31:

<u>Year Ending</u> <u>Dec 31</u>	
2007	\$ 6,181
2008	6,181
2009	6,181
2010	6,181
2011	6,181
2012-2016	30,905
2017-2021	30,905
2022-2025	<u>21,266</u>
Total remaining minimum lease payments	113,981
Less amount representing interest	(40,660)
Present value of net remaining minimum lease payments	<u><u>\$ 73,321</u></u>

NOTE 8. Defined Benefit Pension Plan

All full-time employees of the District participate in the Utah State-Wide Local Government Retirement Systems (Systems). The District commenced participation in the Firefighters Retirement System during calendar year 2006.

Plan Description

Leeds Area Special Service District contributes to the Firefighters Retirement System administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget to Actual

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes/Standby fees	\$ 80,000	\$ 91,600	\$ 100,913	\$ 9,313
Fee-in-lieu taxes	12,000	10,000	16,043	6,043
Ambulance Fees	41,000	53,000	45,577	(7,423)
Grants	27,000	39,740	37,530	(2,210)
Contributions/fund raisers	1,500	1,500	684	(816)
Finance charges and other revenues	7,500	200	325	125
Interest revenue	1,500	1,800	1,762	(38)
Total Revenues	170,500	197,840	202,834	4,994
Expenditures:				
Current:				
Administration	88,300	84,860	85,281	(421)
Fire protection and emergency services	33,800	31,909	29,697	2,212
Ambulance	33,000	24,200	18,105	6,095
Debt service	28,204	28,201	28,201	-
Capital outlay	15,000	20,300	23,392	(3,092)
Total Expenditures	198,304	189,470	184,676	4,794
Excess of Revenues Over/(Under) Expenditures	(27,804)	8,370	18,158	9,788
Other Financing Sources (Uses):				
Transfers in	18,104	-	-	-
Transfers out	-	(8,370)	(8,370)	-
Net change in fund balance	(9,700)	-	9,788	9,788
Fund Balance - Beginning of Year	82,374	82,374	82,374	-
Fund Balance - End of Year	\$ 72,674	\$ 82,374	\$ 92,162	\$ 9,788

See accountants' report.

REQUIRED SUPPLEMENTARY INFORMATION

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Impact Fee Schedule
For the Year Ended December 31, 2006

INCEPTION DATE: June 1, 2005

SUMMARY STATEMENT: The enacted "Impact Fees" will be used to partially offset development and construction expenses of new and enhanced public safety facilities (Fire Stations). They recognize the impact expense associated with high projected growth (six years) and will help to mitigate inequitable allocation of costs and stabilize property taxes for both new and existing long-term property owners. They will not be used to pay for ongoing facility expenses and only pay for a portion of new facility expense in accord with state statute requirements.

IDENTIFIED FUTURE IMPACT FEE PROJECTS:

1. Expanded and enhanced existing central facility.
2. New Northern and Southern substations.

SCHEDULE OF FEE PAYMENTS AND EXPENSE DISBURSEMENTS WITH RUNNING BALANCE:

Date	Name	Check No.	Source/ Construct. Project	Impact Fee Amount	Expense Amount	Balance	Carryover
2005						\$ -	
8/05	Amy Osness	N/A	Town of Leeds	\$ 33.16		33.16	
9/05	Kerry Bennion	N/A	Town of Leeds	580.00		613.16	
9/05	Stephen Wilson	N/A	Town of Leeds	18.00		631.16	
9/05	TradeMark Construction Co.	N/A	Washington County	216.95		848.11	
9/05	Kary Kump	N/A	Washington County	101.52		949.63	
9/05	Charles Timothy	N/A	Town of Leeds	350.00		1,299.63	
10/05	Patrick Sheneman	N/A	Town of Leeds	180.00		1,479.63	
11/05	Richardson Homes	N/A	Town of Leeds	685.93		2,165.56	
11/05	Ray Stokes	N/A	Town of Leeds	1,001.00		3,166.56	
11/05	Bailey Muir	N/A	Town of Leeds	100.00		3,266.56	
11/05	Floyd Shivels	N/A	Town of Leeds	680.00		3,946.56	
11/05	Garrett Bangetor	N/A	Town of Leeds	1,854.00		5,800.56	
12/05	Gary Petersen	N/A	Town of Leeds	380.00		6,180.56	
12/05	Pat Sheneman	N/A	Town of Leeds	220.00		6,400.56	
12/05	AJ Construction	N/A	Washington County	408.00		6,808.56	
6/05	Home Depot	1859	Roof		(169.00)	6,639.56	
6/05	Don Fawson	1880	Concrete		(684.88)	5,954.68	
6/05	Pacific Supply	1892	Roof		(273.29)	5,681.39	
8/05	Home Depot	1900	Construction		(337.48)	5,343.91	
8/05	Wyatt Matthews	1945	Construction		(226.66)	5,117.25	
8/05	L N Curtis & Sons	1946	Construction		(261.02)	4,856.23	
9/05	V C Milne & Sons	1984	Construction		(1,430.00)	3,426.23	
10/05	Home Depot	1996	Construction		(399.27)	3,026.96	
				\$ 6,808.56	\$ (3,781.60)	\$ 3,026.96	\$ 3,026.96

SUPPLEMENTARY INFORMATION

LEEDS AREA SPECIAL SERVICE DISTRICT
(A Component Unit of Washington County, Utah)
Impact Fee Schedule, continued
For the Year Ended December 31, 2006

Date	Name	Check No.	Source/ Construct. Project	Impact Fee Amount	Expense Amount	Balance	Carryover
2006						\$ 3,026.96	
1/06	Trop Fiberglass	N/A	Town of Leeds	88.00		3,114.96	
1/06	MC Construction	N/A	Town of Leeds	81.60		3,196.56	
2/06	Donald Goddard	N/A	Town of Leeds	300.00		3,496.56	
2/06	Hyrum Lefler	N/A	Town of Leeds	200.00		3,696.56	
2/06	Mike Nicholson	N/A	Town of Leeds	900.00		4,596.56	
3/06	Aaron Shembeck	N/A	Town of Leeds	36.00		4,632.56	
3/06	Pat Sheneman	N/A	Town of Leeds	240.00		4,872.56	
5/06	Ronda Aurigemma	N/A	Town of Leeds	100.00		4,972.56	
5/06	Mike Nicholson	N/A	Town of Leeds	1,400.00		6,372.56	
5/06	Barrus	N/A	Washington County	45.55		6,418.11	
6/06	Adelle Marie Lindow	N/A	Town of Leeds	70.00		6,488.11	
6/06	Randell Iverson for Naase	N/A	Town of Leeds	700.00		7,188.11	
6/06	Leo Lyman	N/A	Town of Leeds	150.00		7,338.11	
6/06	Kithleen Piccione	N/A	Town of Leeds	121.82		7,459.93	
6/06	Martin Mathis	N/A	Town of Leeds	8.16		7,468.09	
7/06	Ryan Lefler	N/A	Town of Leeds	270.00		7,738.09	
7/06	Ryan Lefler	N/A	Town of Leeds	250.00		7,988.09	
7/06	Hyrum Lefler	N/A	Town of Leeds	35.60		8,023.69	
7/06	Josh Sawyan	N/A	Town of Leeds	600.00		8,623.69	
7/06	Nola Dirkson	N/A	Town of Leeds	70.00		8,693.69	
7/06	Tony Carlson	N/A	Town of Leeds	216.00		8,909.69	
8/06	Alberta Pace	N/A	Town of Leeds	24.00		8,933.69	
8/06	Starla Reese	N/A	Town of Leeds	130.00		9,063.69	
8/06	Ian Rex	N/A	Town of Leeds	240.00		9,303.69	
8/06	Pauline Fowlks	N/A	Town of Leeds	80.00		9,383.69	
9/06	Tim J. Beaver	N/A	Washington County	60.00		9,443.69	
9/06	Crandell	N/A	Town of Leeds	1,600.00		11,043.69	
11/06	Randell Iverson for Naase	N/A	Town of Leeds	24.00		11,067.69	
12/06	Garrett Bangetor	N/A	Town of Leeds	320.00		11,387.69	
4/06	Roger Taylor	165	Flooring		(2,980.50)	8,407.19	
4/06	Shining Image of St. George	203	Flooring		(360.00)	8,047.19	
6/06	The Home Depot	250	Electrical		(422.04)	7,625.15	
9/06	Scholzen Products Co, Inc.	376	Electrical		(119.24)	7,505.91	
9/06	Scholzen Products Co, Inc.	376	Electrical		(39.12)	7,466.79	
9/06	Scholzen Products Co, Inc.	376	Electrical		26.80	7,493.59	
9/06	Don Fawson	394	Construction		(245.93)	7,247.66	
9/06	Don Fawson	396	Construction		(16.13)	7,231.53	
9/06	Scholzen Products Co, Inc.	400	Construction		(12.54)	7,218.99	
9/06	Scholzen Products Co, Inc.	400	Construction		(12.26)	7,206.73	
9/06	Electrical Wholesale Supply	401	Electrical		(75.32)	7,131.41	
9/06	Electrical Wholesale Supply	401	Electrical		(4.62)	7,126.79	
10/06	Hurst Ace Hardware & Sports	410	Construction		(118.03)	7,008.76	
				\$ 8,360.73	\$ (4,378.93)	\$ 7,008.76	\$ 7,008.76